
Iowa Legislative Fiscal Bureau

Dennis Prouty
(515) 281-5279
FAX 281-8451



State Capitol
Des Moines, IA 50319
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Auditor Reimbursements

ISSUE

To determine the accuracy of budgeted billings submitted by the Auditor of State to other State departments

AFFECTED AGENCIES

All State departments that are billed by the Auditor of State per Chapter 11.5B, Code of Iowa.

CODE AUTHORITY

Chapter 11, Code of Iowa

BACKGROUND

The Auditor of State is required by the Code of Iowa to audit all State departments annually. The Auditor receives operating funds through a combination of billing revenues received from various entities and a General Fund appropriation. Chapter 11.5B, Code of Iowa, sets out a specific list of State departments the Auditor may bill. These departments are marked with an asterisk on **Table 1**. This list of departments was developed in order to maximize the amount of federal and other funds utilized to pay audit costs. The Auditor also receives billing revenues from local entities such as cities, counties, and school districts. State agencies are billed on a quarterly basis, while local entities are billed when the annual audit is complete. State agencies funded entirely from General Fund money are not billed by the Auditor and the cost for completion of those annual audits is covered by the General Fund appropriation to the Auditor.

Each year the Auditor prepares an estimate of the audit billings and each department to be billed is notified by letter. The letter indicates the total billing, how much of the total should be paid with federal funds, and indicates the billing will be sent in quarterly installments. Occasionally, special audit work is required. When that happens the agency is usually notified by the Auditor in a revised letter and the additional cost for audit services is added to the quarterly billing in which it occurs.

CURRENT SITUATION

The Auditor has estimated billing revenues of \$4.4 million for FY 1993 and \$4.8 million for FY 1994. Approximately \$2.5 million (57%) of that will come from State departments in FY 1993, and \$2.8 million (58%) in FY 1994. On occasion, departments have complained that their charges for audit costs exceed the amount estimated by the Auditor. This analysis attempts to answer the following questions:

- How accurate is the Auditor in estimating billings?
- Are State agencies budgeting accurately for audit costs?

ANALYSIS OF DATA

Attachments 1 - 3 present tables containing the following information:

Table 1 - FY 1991 to FY 1994:

- Auditor Budget - the amount of audit costs estimated by the Auditor at the time budget requests were prepared.
- Department Request - the amount requested by departments at the time budget requests were prepared.
- Actual - actual amounts paid for audit costs as reported by each department. (The actual amounts are those under Account 412 - Auditor of State Reimbursements with corrections for known discrepancies. In some cases this may include contracted audit services or private audits. It also may include payments for more than one fiscal year.)

Tables 2 and 3 - FY 1991 and FY 1992, respectively:

- Billing Letter - the amount of audit costs estimated by the Auditor at the time budget requests were prepared. This is the same as Auditor Budget in **Table 1**.
- Actual Billing - the actual amount billed by the Auditor for the fiscal year. This may or may not match the actual amounts paid as reported by the Departments in **Table 1** as explained above.
- Variance - the dollar and percentage variance between the Auditor's billing letter and the Auditor's actual billing.

When the amounts requested by departments are compared to the Auditor's billing estimates, the following results are indicated by **Table 1**:

Departments requesting:	FY 1991	FY 1992	FY 1993	FY 1994
More than the Auditor	7	10	13	11
Less than the Auditor	15	13	13	12
Not billed	16	15	14	14
Equal to Auditor	2	2	0	3

Of the departments billed in FY 1991, 31% requested more than the Auditor estimated and 69% requested less. In FY 1992, the number of departments requesting less than the Auditor declined to 43%. In FY 1993 and FY 1994, the number of departments requesting less than the Auditor is 50% and 48%, respectively.

The total budget requests for all departments compared to the amount estimated by the Auditor is shown as follows:

Department Requests:	FY 1991	FY 1992	FY 1993	FY 1994
Over / (Under) Auditor Estimate	(669,451)	(175,582)	22,714	273,972
Percent of Auditor Estimate	(26%)	(7%)	9%	10%

In FY 1991, the total of all budget requests for all departments was less than the Auditor's estimate by \$669,451 or 26%. Most departments seem to have begun to correct the amounts budgeted for audit costs in FY 1992 and later years, and fewer requested less than the Auditor estimated. In FY 1993 and FY 1994, the total of all budget requests for all departments is more than that estimated by the Auditor.

Information in **Tables 2** and **3** provide the following insights into the comparison of the Auditor's estimates and the amount actually billed to departments:

- In FY 1991, 33% of the departments listed were billed more than the Auditor estimated and 66% of the departments were billed **less** than the Auditor estimated.
- The FY 1991 total for all departments shows the Auditor billed departments \$150,926 (5.9%) **less** than estimated.
- In FY 1992, 63% of the departments listed were billed more than the Auditor estimated and 37% if the departments were billed less than the Auditor estimated.
- The FY 1992 total for all departments shows the Auditor billed departments \$42,149 (1.8%) **more** than estimated.

Although 2 years data is not sufficient to develop a trend, it appears the Auditor is reasonably accurate in estimating overall total billings to State departments. However, in some individual department cases, the estimates have been quite inaccurate. For example, in FY 1991 the Department of Economic Development paid \$45,825 (47.3%) more than the Auditor had estimated. In contrast, the Department of Employment Services paid \$38,627 (25%) less than the Auditor had estimated. A factor not considered is the percent of each department's budget allocated to audit costs. Some departments may more readily absorb fluctuations in audit costs than others.

ALTERNATIVES

Appropriations subcommittees and LFB analysts should continue to monitor departmental requests for reimbursements to the Auditor. If department requests exceed the Auditor's estimate, they should be reduced. Likewise, if the department does not request as much as the Auditor estimates, the budget should be adjusted. Departments should be encouraged to maximize application of federal and other funds to pay audit costs.

The Auditor could be required to track annual audit cost estimates and actual billings, exclusive of special audit costs. This would provide a more accurate comparison for purposes of determining accuracy of the annual audit costs estimates. Special or additional audit costs could be tracked separately and explained individually.

BUDGET IMPACT

The Auditor is making an effort to estimate billings and notify departments of anticipated costs for budget purposes. However, estimates are not always accurate and the need for special audit costs (such as fraud, embezzlement, etc.) will occur and cannot be planned.

STAFF CONTACT: Mary Shipman (Ext. 17846)

Table 1

Reimbursements to the Office of the Auditor by Other Departments

Department		FY 1991			FY 1992			FY 1993		FY 1994	
		Audtr Budget	Dept Request	Actual	Audtr Budget	Dept Request	Actual	Audtr Budget	Dept Request	Audtr Budget	Dept Request
Agriculture & Land Stewardship	* Combined	\$ 73,297	\$ 139,324	\$ 78,836	\$ 83,200	\$ 48,264	\$ 90,632	\$ 112,892	\$ 88,522	\$ 133,903	\$ 129,000
Attorney General		0	0	1,777	200	0	1,300	1,116	0	1,124	0
Auditor of State		0	0	0	0	0	0	0	0	0	0
Blind	Gen Fund	0	720	1,780	0	2,196	2,590	6,188	2,288	6,230	1,260
	Federal	4,506	1,280	3,166	6,100	3,904	4,604	0	4,032	0	5,040
	Total	4,506	2,000	4,946	6,100	6,100	7,194	6,188	6,300	6,230	6,300
Campaign Fin. Disclosure Comm.		0	0	0	0	0	0	0	0	0	0
Civil Rights Commission	Federal	876	876	487	700	800	359	396	550	399	399
College Aid Commission	Other	16,755	13,500	8,990	10,800	10,500	10,354	9,348	12,250	9,413	10,413
Commerce	* Combined	75,492	84,250	78,883	66,100	87,831	56,608	86,231	80,750	102,721	102,721
Corrections		0	0	1,039	0	0	1,461	756	0	761	0
Cultural Affairs	Federal	2,999	3,000	385	1,200	6,024	464	756	6,500	761	2,500
Drug Abuse Coordinator	Other	4,140	3,000	1,510	3,000	3,000	7,868	1,836	18,000	1,849	15,000
Economic Development	* Combined	93,930	25,000	140,015	94,600	80,000	134,557	95,614	80,000	111,207	178,575
Iowa Product Development	* Combined	0	0	5,599	8,200	0	0	7,317	0	7,368	6,000
Wallace Technology Fund	* Combined	0	0	4,969	5,700	0	0	7,705	0	9,203	0
Total		96,930	25,000	150,583	108,500	80,000	134,557	110,636	80,000	127,778	164,575
Education											
Public Instruction	* Combined	104,867	99,300	116,111	100,700	99,300	143,536	116,772	100,000	131,790	132,000
Voc Ed Advisory Council	* Combined	3,794	3,000		1,600	1,500	0	1,476	1,500	1,486	1,500
Voc Rehab	* Combined	23,409	23,664	18,260	25,500	23,664	19,931	32,380	23,664	37,419	37,419
Career Education	* Combined	0	0	1,170	0	0	655	0	0	0	0
School Food Service	* Combined	0	0	62,581	0	0	62,977	0	0	0	70,000
Voc Rehab D.D.S.	* Combined	0	1,487	2,534	0	2,000	4,491	0	3,000	0	5,000
IPT & IPT Foundation	* Combined	5,543	5,000	6,464	10,500	5,000	6,823	9,248	6,000	10,709	0
State Library	* Combined	0	3,000	722	0	3,000	778	0	1,000	0	1,000
Total		137,713	135,451	205,642	138,300	134,464	239,191	159,876	135,164	181,404	246,919
Elder Affairs	Federal	4,415	3,750	2,727	3,800	4,900	6,331	5,631	3,260	5,670	3,260
Employment Services	* Combined	153,780	97,000	115,163	112,000	127,000	90,257	109,950	127,000	127,465	127,000
Executive Council		0	0	0	0	0	0	0	0	0	0

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Reimbursements to the Office of the Auditor by Other Departments

Department		FY 1991			FY 1992			FY 1993		FY 1994	
		Audtr Budget	Dept Request	Actual	Audtr Budget	Dept Request	Actual	Audtr Budget	Dept Request	Audtr Budget	Dept Request
Finance Authority		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Services		959	0	0	400	0	0	396	0	399	0
Governor		0	0	0	0	0	0	0	0	0	0
Human Rights	Federal	15,788	26,726	14,077	9,100	18,936	8,838	13,019	18,639	13,110	18,639
Human Services	* Combined	377,080	441,839	597,821	312,500	608,436	582,634	337,333	581,759	368,266	948,666
Eldora	* Combined	12,304	0	0	14,600	0	0	14,801	0	17,308	0
Glenwood	* Combined	47,542	0	0	47,900	0	0	46,372	0	53,611	0
Independence	* Combined	21,546	0	0	21,500	0	0	24,321	0	27,665	0
Mt Pleasant	* Combined	30,648	0	0	15,800	0	0	19,308	0	22,807	0
Cherokee	* Combined	34,542	0	0	37,800	0	0	32,940	0	37,884	0
Clarinda	* Combined	23,954	0	0	20,500	0	0	18,046	0	20,958	0
Toledo	* Combined	15,408	0	0	16,200	0	0	13,790	0	16,300	0
Veterans Home	* Combined	37,356	0	0	28,000	0	0	42,427	0	49,467	0
Woodward	* Combined	46,680	0	0	34,200	0	0	41,619	0	48,171	0
Woodward Distrib. Facility	* Combined	17,319	0	0	15,600	0	0	12,580	0	14,987	0
Total		664,379	441,839	597,821	564,600	608,436	582,634	603,537	581,759	677,524	948,666
Inspections and Appeals	Combined	4,804	8,500	4,756	5,100	8,500	5,181	5,208	5,300	5,244	8,200
Legislative Branch		0	0	0	0	0	0	0	0	0	0
Lieutenant Governor		0	0	0	0	0	0	0	0	0	0
Law Enforcement Academy		0	300	425	400	300	375	396	0	399	0
Management		1,482	0	0	0	0	0	0	0	0	0
Natural Resources	* Combined	121,379	112,000	132,990	144,800	100,000	146,201	132,838	150,000	153,018	150,000
Parole Board		0	0	0	0	0	0	0	0	0	0
Personnel - IPERS	* Other	34,517	21,000	20,569	38,700	23,000	40,393	38,433	40,500	45,724	46,000
Public Defense		0	0	0	1,300	0	3,158	3,757	0	3,783	0
Public Employ. Relations Board		0	0	0	0	0	0	0	0	0	0
Public Health	* Federal	93,342	96,337	87,988	96,400	96,337	75,176	77,405	97,914	87,573	87,573
Public Safety	Gen Fund	0	750	2,511	0	1,500	3,543	0	1,500	0	0
	Other	5,401	6,500	3,946	2,200	3,500	7,768	5,580	3,500	5,618	3,500
Total		5,401	7,250	6,457	2,200	5,000	11,311	5,580	5,000	5,618	3,500

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Reimbursements to the Office of the Auditor by Other Departments

Department		FY 1991			FY 1992			FY 1993		FY 1994	
		Audtr Budget	Dept Request	Actual	Audtr Budget	Dept Request	Actual	Audtr Budget	Dept Request	Audtr Budget	Dept Request
Regents, Board of	* Combined	\$ 11,243	\$ 0	\$ 7,147	\$ 10,400	\$ 0	\$ 8,401	\$ 11,440	\$ 10,000	\$ 13,456	\$ 10,000
School for the Deaf	* Combined	51,593	25,000	35,019	50,700	31,000	39,775	44,262	44,262	52,270	52,270
IA Braille & Sightsaving School	* Combined	28,532	15,000	14,669	27,000	14,500	23,309	21,612	21,600	25,611	25,600
Iowa State University	* Combined	308,434	150,000	339,455	274,000	276,000	266,570	309,169	276,000	356,566	276,000
University of Northern Iowa	* Combined	79,482	42,000	80,669	69,900	42,000	69,900	74,056	42,000	84,183	42,000
University of Iowa	* Combined	288,126	235,000	303,861	309,100	235,000	292,187	306,645	308,400	357,893	323,700
Total		745,410	467,000	780,820	741,100	598,500	701,142	767,184	702,262	889,999	729,570
Revenue and Finance - Lottery	Other funds	143,198	80,800	106,754	96,400	105,000	102,069	100,800	140,000	106,200	102,483
Secretary of State		0	0	0	0	0	0	0	0	0	0
State Fair Authority		0	0	0	0	0	0	0	0	0	0
State-Federal Relations		0	0	0	0	0	0	0	0	0	0
Transportation	* Other funds	158,411	121,629	155,375	135,700	121,628	187,145	165,520	232,629	192,677	232,000
Treasurer		0	0	0	0	0	0	0	0	0	0
Total		\$ 2,559,983	\$ 1,880,532	\$ 2,559,200	\$ 2,370,100	\$ 2,194,518	\$ 2,510,198	\$ 2,519,585	\$ 2,542,299	\$ 2,880,746	\$ 3,154,718

*Agencies specifically listed in Chapter 11.5 of the Code of Iowa that may be billed by the Auditor. All other agencies are billed because they receive federal funds.

Table 2
STATE DEPARTMENTS COMPARISON
FY 1991 AUDITOR BILLING LETTERS WITH FY 1991 ACTUAL BILLINGS

<u>AGENCY</u>	<u>FY91 BILLING LETTER</u>	<u>ACTUAL FY91 BILLINGS</u>	<u>VARIANCE (OVER) / UNDER</u>	<u>PERCENT (OVER)/UNDER</u>
Agriculture	\$ 73,297.00	\$ 81,084.00	\$ (7,797.00)	(10.8%)
Attorney General	0.00	1,208.00	(1,208.00)	
Blind	4,506.00	4,948.00	(440.00)	(9.8%)
Civil Rights	876.00	487.00	389.00	44.4%
Commerca	75,482.00	78,882.00	(3,390.00)	(4.5%)
Cultural Affairs	2,989.00	2,051.00	948.00	
Cultural Affairs, IPT Foundation	5,543.00	5,520.00	23.00	
Total	8,542.00	7,571.00	971.00	11.4%
DED	81,071.00	138,397.00	(47,326.00)	
DED - Iowa Products	5,859.00	4,358.00	1,501.00	
Total	86,930.00	142,755.00	(45,825.00)	(47.3%)
Ed - Public Instruction	104,967.00	118,111.00	(11,144.00)	
Ed - Voc Rehab Adv Council	3,784.00	1,170.00	2,624.00	
Ed - Voc Rehab	23,409.00	18,794.00	4,615.00	
Ed - College Aid	18,755.00	8,890.00	7,765.00	
Total	148,825.00	145,065.00	3,860.00	2.6%
Elder Affairs	4,415.00	2,727.00	1,688.00	38.2%
DES	153,780.00	115,163.00	38,627.00	25.1%
General Services	859.00	862.00	(3.00)	(0.3%)
Governor - Drug Abuse Coord.	4,140.00	1,510.00	2,630.00	63.5%
Human Rights	15,788.00	14,077.00	1,711.00	10.8%
DHS	377,080.00	375,288.00	1,794.00	
Toledo	15,408.00	8,205.00	6,203.00	
Eldora	12,304.00	9,492.00	2,812.00	
Marshalltown - Vets' Home	37,356.00	35,541.00	1,815.00	
Cherokee	34,542.00	29,258.00	5,284.00	
Clarinda	23,854.00	15,258.00	8,696.00	
Independence	21,548.00	18,377.00	3,189.00	
Mt Pleasant	30,648.00	23,041.00	7,607.00	
Glenwood	47,542.00	34,831.00	12,911.00	
Woodward State Hospital	46,880.00	49,273.00	(2,593.00)	
Woodward District Facility	17,319.00	9,055.00	8,284.00	
Total	664,379.00	608,417.00	55,982.00	8.4%
Inspections & Appeals	4,804.00	4,756.00	48.00	1.0%
Law Enforcement Academy	0.00	425.00	(425.00)	
Management	1,482.00	0.00	1,482.00	
DNR	121,379.00	132,980.00	(11,611.00)	(9.6%)
IPERS, Personnel	34,517.00	20,569.00	13,948.00	0.40
Public Health	93,342.00	88,497.00	3,845.00	4.1%

Table 2
STATE DEPARTMENTS COMPARISON
FY 1991 AUDITOR BILLING LETTERS WITH FY 1991 ACTUAL BILLINGS

<u>AGENCY</u>	<u>FY91 BILLING LETTER</u>	<u>ACTUAL FY91 BILLINGS</u>	<u>VARIANCE (OVER) / UNDER</u>	<u>PERCENT (OVER)/UNDER</u>
Public Safety	5,401.00	4,188.00	1,215.00	22.5%
Board of Regents	11,243.00	7,147.00	4,098.00	
SUI	268,128.00	310,701.00	(42,575.00)	
ISU	306,434.00	254,197.00	52,237.00	
UNI	70,482.00	67,935.00	11,547.00	
Iowa Braille and Sight Saving School	28,532.00	14,889.00	13,863.00	
Iowa School for the Deaf	51,583.00	34,984.00	16,589.00	
Total	<u>745,410.00</u>	<u>689,643.00</u>	<u>55,767.00</u>	7.5%
Lottery	143,188.00	108,754.00	36,444.00	25.5%
DOT	158,411.00	155,375.00	3,036.00	1.9%
OVERALL TOTALS	<u><u>\$ 2,559,883.00</u></u>	<u><u>\$ 2,408,057.00</u></u>	<u><u>\$ 150,926.00</u></u>	5.9%

Table 3
STATE DEPARTMENTS COMPARISON
FY 1992 AUDITOR BILLING LETTERS WITH FY 1992 ACTUAL BILLINGS

<u>AGENCY</u>	<u>FY92 BILLING LETTER</u>	<u>ACTUAL FY92 BILLINGS</u>	<u>VARIANCE (OVER)/UNDER</u>	<u>PERCENT (OVER)/UNDER</u>
Agriculture	\$ 83,200.00	\$ 82,430.48	\$ (8,230.48)	(11.1%)
Attorney General	200.00	1,870.48	(1,870.48)	(835.2%)
Blind	8,100.00	7,183.38	(1,093.38)	(17.9%)
Civil Rights	700.00	358.93	341.07	48.7%
Commerce	88,100.00	56,607.79	9,492.21	14.4%
Corrections	0.00	818.75	(818.75)	
Cultural Affairs	1,200.00	1,241.95	(41.95)	
Cultural Affairs, IPT	1,000.00	1,187.90	(187.90)	
Cultural Affairs, IPT Foundation	8,500.00	5,835.49	3,884.51	
Total	11,700.00	8,065.34	3,834.66	31.1%
DED	94,600.00	117,493.53	(22,893.53)	
DED - Iowa Products	8,200.00	7,053.01	1,146.99	
DED - Wallace Tech	5,700.00	4,969.00	731.00	
Total	108,500.00	129,515.54	(21,015.54)	(19.4%)
Ed - Public Instruction	38,400.00	30,802.79	7,597.21	
Ed - Public Instruction	62,300.00	112,732.95	(50,432.95)	
Ed - Voc Rehab Adv Council	1,600.00	655.38	944.62	
Ed - Voc Rehab	3,500.00	5,437.23	(1,937.23)	
Ed - Voc Rehab	22,000.00	18,984.40	3,015.60	
Ed - College Aid	10,800.00	10,353.58	446.42	
Total	138,600.00	178,986.33	(40,386.33)	(29.1%)
Elder Affairs	3,800.00	8,331.24	(2,531.24)	(66.6%)
DES	112,000.00	90,256.71	21,743.29	19.4%
General Services	400.00	0.00	400.00	100.0%
Governor - Drug Abuse Coord.	0.00	3,247.54	(3,247.54)	
Human Rights	8,100.00	8,837.84	262.16	2.9%
DHS	312,500.00	328,678.26	(16,178.26)	
Eldora	14,600.00	14,511.69	88.31	
Glenwood	47,800.00	43,513.72	4,386.28	
Independence	21,500.00	39,126.18	(17,626.18)	
Mt Pleasant	15,800.00	12,434.05	3,365.95	
Cherokee	37,800.00	39,347.37	(1,547.37)	
Clarinda	20,500.00	21,361.87	(861.87)	
Toledo	16,200.00	16,034.09	165.91	
Veterans Home	28,000.00	33,909.07	(5,909.07)	
Woodward	34,200.00	33,716.68	483.32	
Woodward Distrib. Facility	15,600.00	9,778.83	5,821.17	
Total	584,800.00	582,412.81	(2,387.19)	(4.9%)

Table 3
STATE DEPARTMENTS COMPARISON
FY 1992 AUDITOR BILLING LETTERS WITH FY 1992 ACTUAL BILLINGS

<u>AGENCY</u>	<u>FY92 BILLING LETTER</u>	<u>ACTUAL FY92 BILLINGS</u>	<u>VARIANCE (OVER)/UNDER</u>	<u>PERCENT (OVER)/UNDER</u>
Inspections & Appeals	\$ 5,100.00	\$ 5,688.33	\$ (588.33)	(11.5%)
Judicial	0.00	2,648.37	(2,648.37)	
Law Enforcement Academy	400.00	375.25	24.75	6.2%
DNR	144,800.00	146,176.02	(1,376.02)	(1.0%)
IPERS, Personnel	38,700.00	40,393.38	(1,693.38)	(4.4%)
Public Defense	1,300.00	3,157.50	(1,857.50)	(142.9%)
Public Health	86,400.00	75,176.34	21,223.66	22.0%
Public Safety	2,200.00	5,765.77	(3,565.77)	(162.1%)
Board of Regents	10,400.00	9,400.81	999.19	
SUI	309,100.00	259,770.42	49,329.58	
ISU	274,000.00	286,569.93	7,430.07	
UNI	89,800.00	82,223.85	(12,323.85)	
Iowa Braille and Sight Saving School	27,000.00	23,308.45	3,691.55	
Iowa School for the Deaf	50,700.00	42,642.19	8,057.81	
Total	<u>741,100.00</u>	<u>683,915.65</u>	<u>57,184.35</u>	7.7%
Lottery (3rd quarter)	27,300.00	23,030.37	4,269.63	
Lottery (4th quarter)	22,600.00	22,582.00	38.00	
Lottery (1st quarter)	22,800.00	17,423.88	5,376.12	
Lottery (2nd quarter)	23,700.00	17,409.75	6,290.25	
Total	<u>96,400.00</u>	<u>80,428.00</u>	<u>15,972.00</u>	16.6%
Gov Sub Abuse Coord	3,000.00	4,139.59	(1,139.59)	(38.0%)
DOT	135,700.00	187,474.98	(51,774.98)	
OVERALL TOTALS	<u>\$ 2,370,100.00</u>	<u>\$ 2,412,249.35</u>	<u>(42,149.35)</u>	(1.8%)